

IN THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

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IN RE

UNITED CITIES GAS COMPANY,  
a Division of ATMOS ENERGY  
CORPORATION INCENTIVE  
PLAN (IPA) AUDIT

Consolidated Docket Nos. 01-00704 and  
02-00850

UNITED CITIES GAS COMPANY,  
a Division of ATMOS ENERGY  
CORPORATION, PETITION TO  
AMEND THE PERFORMANCE  
BASED RATEMAKING  
MECHANISM RIDER

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**REBUTTAL TESTIMONY OF PATRICIA CHILDERS**

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1 Q Please state your name, place of employment, and title

2 A My name is Patricia Childers. I am Vice President of Rates and Regulatory Affairs for  
3 Atmos Energy Corporation, formerly known as United Cities Gas Company ("Atmos" or the  
4 "Company"). I have held this position since July 2001 Before holding this position, I was  
5 Manager of Rates and Regulatory Affairs for the Company from 1981 until July 2001

6  
7 Q Are the same Patricia Childes that provided direct testimony in this docket?

8 A: Yes.

9 Q What is the purpose of your rebuttal testimony?

10 A: The purpose of my rebuttal testimony is to respond to portions of the direct testimony of  
11 Consumer Advocate and Protection Division ("CAPD") witness Dan McCormac.

12

13 Q. On page 6 of his direct testimony, Mr McCormac argues that the fact that Atmos  
14 sometimes deals with affiliate companies presents "another layer of concern." Would you address  
15 this testimony?

16 A. Yes Mr. McCormac's argument is without any basis The TRA has promulgated  
17 thorough guidelines which Atmos must follow in engaging in transactions with affiliates. Those  
18 guidelines remove any additional concern that may have resulted from the fact that Atmos  
19 sometimes deals with its affiliates A copy of the guidelines is attached hereto as Exhibit 1.


20

21 Q. Does that conclude your rebuttal testimony?

22

23 A: Yes

BAKER, DONELSON, BEARMAN  
CALDWELL, & BERKOWITZ, P C.

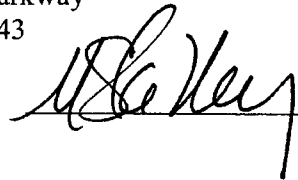
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served via U.S. Mail, postage prepaid, upon the following this 5th day of October, 2004.

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**TENNESSEE GUIDELINES  
FOR  
UNITED CITIES GAS COMPANY'S AFFILIATE TRANSACTIONS**

The following guidelines present the minimum conditions deemed necessary to ensure that affiliate transactions between United Cities Gas Company (hereafter "United Cities" or "Company") and its affiliate(s) do not result in a competitive advantage over others providing similar services. The effective date of these guidelines is April 1, 1999, and said guidelines will remain in effect as long as United Cities is operating under a performance based ratemaking plan. We note that these guidelines may fail to anticipate certain specific methods by which such advantages may be conferred by the Company on its marketing affiliates. All parties should be aware that to the extent such instances arise in the future, they will be judged according to this stated intent. This Agreement has three parts: Definitions, Standard of Conduct and Complaint procedures.

**Definitions**

Terms used in these guidelines have the following meanings:

- 1 Affiliate, when used in reference to any person in this standard, means another person who controls, is controlled by, or is under common control with, the first person.
- 2 Control (including the terms "controlling", "controlled by", and "under common control with"), as used in this standard, includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. Under all circumstances, beneficial ownership of more than ten percent (10%) of voting securities or partnership interest of an entity shall be deemed to confer control for purposes of these guidelines of conduct.
- 3 Marketing, as used in this standard, means selling or brokering natural gas to any person or entity, including the Company, by a seller that is not a local distribution company.

**Standards of Conduct**

The Company must conduct its business to conform to the following standards:

- 1 If there is discretion in the application of tariff provisions, then the Company must apply such provisions relating to any service being offered in a consistent manner to all similarly situated entities.

- 2 The Company must strictly enforce a tariff provision for which there is no discretion in the application of the provision
- 3 The Company must process all similar requests for services in the same manner and within the same period of time
- 4 The Company may not give its marketing affiliate preference over nonaffiliated companies in natural gas supply procurement activities
- 5 The Company may not give its marketing affiliate preference over nonaffiliated companies in its upstream capacity release activities
- 6 The Company may not disclose to its marketing affiliate any information that the local distribution company receives from a non-affiliated marketer, unless the prior written consent of the parties to which the information relates has been voluntarily given
- 7 To the extent the Company provides information related to its natural gas supply activities and upstream capacity release activities, it must do so contemporaneously to all nonaffiliated marketers, that have submitted a written request for such information to the Company
- 8 To the extent the Company provides information related to natural gas services being offered to a marketing affiliate, it must do so contemporaneously to all non-affiliated marketers, that have submitted a written request for such information to the Company
- 9 In transactions that involve either the purchase or receipt of information, assets, goods or services by the Company from an affiliated entity, the Company shall document both the fair market price of such information, assets, goods, and services and the fully distributed cost to the Company to produce the information, assets, goods or services for itself
- 10 When the Company purchases information, assets, goods or services from an affiliated entity, the Company shall either obtain competitive bids for such information, assets, goods or services or demonstrate why competitive bids were neither necessary nor appropriate
11. To the maximum extent practicable, the Company's operating employees and the operating employees of its marketing affiliate must function independently of each other. For the purposes of these guidelines, operating employees are those who are in any way involved in identifying and contracting with customers, locating gas supplies, making any and all arrangements with intervening pipelines and in any way managing or facilitating those contracted services
12. The Company must maintain its books of accounts and records separately from those of its affiliate.

- 13 If the Company offers a discount to an affiliated marketer, it must make a comparable offer contemporaneously available to all similarly situated non-affiliated marketers
- 14 The Company may not condition or tie its agreement to release its dedicated, stored, inventoried or optioned gas or supply contracts or upstream transportation and storage contracts to an agreement with a producer, customer, end-user or shipper relating to any service by its marketing affiliate, any services offered by the Company on behalf of its marketing affiliate, or any services in which its marketing affiliate is involved.
15. Prearranged, non-posted, capacity release transactions may not be entered into with any affiliate of the Company in any two consecutive thirty-day periods.
- 16 The Company must maintain a written log of tariff provision waivers which it grants. It must provide the log to any person requesting it within 24 hours of request. Any waivers must be granted in the same manner to the same or similar situated persons
17. The Company shall maintain sufficiently detailed records that compliance with these guidelines can be verified at any time

### Complaints

Any party may file a complaint relating to violations of these guidelines

- 1 Any customer, marketer, or other interested third-party may file a complaint with the Tennessee Regulatory Authority ("TRA" or "Authority") relating to alleged violations of the affiliate standards set forth in these guidelines. At or before the time of filing, the complainant shall serve a copy of the complaint on the Company.
- 2 Within ten (10) days of service of the complaint upon the Company, the Company shall file a written response to the complaint with the TRA
- 3 The TRA may hold hearings on any complaint filed or may take such other action (as it may deem appropriate), including requesting further information from the parties or dismissing the complaint
- 4 After notice and opportunity for a hearing, should the Authority find that the Company has violated the standards contained in these guidelines, the TRA may impose any penalty or remedy provided for by law